

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 L-03 EB-07 STR-04 TRSE-00 SP-02
CIAE-00 INR-07 NSAE-00 SS-15 NSC-05 /054 W
-----260740Z 050787 /14/14

P R 240700Z MAY 77
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC PRIORITY 8117
INFO AMEMBASSY ABU DHABI
AMEMBASSY AMAN
USINT BAGHDAD
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY SANA
AMEMBASSY TRIPOLI
USDOC WASHDC

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C O R R E C T E D C O P Y FOR TEXT

FOR NEA/ARP

NEA/RA MORRISON

E.O. 11652: N/A
TAGS: BEXP, XF
SUBJECT: ARAB BOYCOTT: REPORTED KUWAIT REACTION TO STATE ANTI-
BOYCOTT LAW

REF: (A) STATE 117172, (B) STATE 49124

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1. IN RESPONSE OUR QUERY, GULF BANK GENERAL MANAGER TELLS
US THAT HIS BANK IS NOT REFUSING TO OPEN LETTERS OF
CREDIT FOR OHIO BENEFICIARIES BECAUSE OF PROHIBITION
BY GOVERNMENT OF KUWAIT. RATHER, MANAGER SAID, VARIOUS
OHIO BANKS HAVE REFUSED TO PROCESS CERTAIN GULF BANK
LETTERS OF CREDIT BECAUSE OF BOYCOTT-RELATED CLAUSES IN THEM.

2. MANAGER EXPLAINED THAT IN CASES WHERE LETTER OF CREDIT COVERS GOODS WHICH ARE NOT BEING SHIPPED EITHER BY THEIR ORIGINAL PRODUCER OR A KNOWN EXPORTER OF THE PRODUCT, LETTER OF CREDIT FORM INCLUDES REQUIREMENT FOR AN "ISRAELI BOYCOTT CERTIFICATE" STATING THAT "THE CONCERN INVOLVED IS NOT A COMPANY BOYCOTTED BY THE MINISTRY OF CUSTOMS AND PORTS (SIC), ISRAELI BOYCOTT OFFICE, STATE OF KUWAIT, AND THAT IT IS NOT IN ANY WAY AFFILIATED TO ANY SUCH COMPANY." MANAGER ADMITTED THAT THIS REQUIREMENT IS INCLUDED IN THESE CASES AT THE BANK'S INITIATIVE TO PROTECT ITSELF AGAINST POSSIBLE DIFFICULTY SHOULD THE FIRM TURN OUT TO BE ON THE BOYCOTT LIST. HE WAS AWARE THAT SUCH LANGUAGE CAUSED DIFFICULTY FOR OHIO BANKS.

3. EMBOFF REMARKED THAT NOT ONLY DID SUCH LANGUAGE APPEAR TO BE AGAINST OHIO LAW, BUT THAT IT SEEMED LIKELY THAT IT WOULD ALSO BE PROHIBITED BY FEDERAL LAW ABOUT TO PASS CONGRESS. EMBOFF NOTED OUR IMPRESSION GOK DOES NOT REQUIRE NEGATIVE CERTIFICATES AND URGED BANK ADOPT THIS PRACTICE. MANAGER AGREED TO CONSIDER POINT BUT NOTED CONCERN BY ITS KUWAITI BOARD OF DIRECTORS THAT FOREGOING SUCH CERTIFICATES COULD LEAD TO EXPOSED POSITION SHOULD GOODS COVERED BY LETTERS OF CREDIT RUN INTO DIFFICULTY WITH LOCAL BOYCOTT OFFICE.

4. COMMENTING ON U.S. ANTI-BOYCOTT LEGISLATION, GENERAL MANAGER OF ANOTHER LARGE KUWAITI BANK SAID HE KNEW OF LIMITED OFFICIAL USE

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NO DIFFICULTIES WITH OHIO LAW. CALIFORNIA ANTI-BOYCOTT LAW HAD CAUSED DIFFICULTY UNTIL THE CALIFORNIA ATTORNEY GENERAL RULED THAT PROVISIONS DID NOT APPLY TO BRANCHES OUTSIDE OF THE STATE. SINCE THAT TIME, ALL CALIFORNIAN LC'S WERE GOING THROUGH NEW YORK EDGE ACT BRANCHES. NEW YORK LAW WAS NOT POSING PROBLEMS.

5. RE IMPENDING FEDERAL LAW, MANAGER ASKED WHAT L/C LANGUAGE WOULD SATISFY IT. HE PROVIDED US WITH COPY OF NEW L/C WORDING USED BY ARAB BANK LTD. IN SAUDI ARABIA AND ASKED WHETHER THIS WORDING WOULD BE ACCEPTABLE UNDER NEW FEDERAL LAW. RELEVANT WORDING FOLLOWS:

(A). CERTIFICATE OF ORIGIN-"THE REQUIRED CERTIFICATE OF ORIGIN MUST EVIDENCE THAT GOODS ARE OF PURE ORIGIN, OF THE EXPORTING STATE. IN CASE GOODS ARE NOT OF PURE ORIGIN, THE FACTORY OR EXPORTING COMPANY HAS TO STATE THE NAMES OF THE COUNTRIES, FACTORY OR FACTORIES THAT SUPPLIED THE MATERIAL".

(B) SHIPPING-"BILL(S) OF LADING MUST EVIDENCE CARRYING STEAMER IS NOT ISRAELI AND NOT CALLING ON ISRAELI PORTS. ALTERNATIVELY, SHIPPING COMPANY'S CERTIFICATE TO THIS EFFECT IS ACCEPTABLE AND MUST ACCOMPANY THE DOCUMENTS."

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ACTION NEA-10

INFO OCT-01 ISO-00 L-03 EB-07 STR-04 TRSE-00 SP-02
CIAE-00 INR-07 NSAE-00 SS-15 NSC-05 /054 W
-----240938Z 018726 /15

P R 240700Z MAY 77
FM AMEMBASSY KUWAIT
TO SECSTATE WASDHC PRIORITY 8118
INFO AMEMBASSY ABU DHABI
AMEMBASSY AMAN
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FOR NEA/ARP

NEA/RA MORRISON

(C) "CERTIFICATION--ALL THE REQUIRED CERTIFICATES MUST BE LEGALIZED BY THE SAUDI ARABIAN (KUWAITI) CONSULATE IF AVAILABLE AT BENEFICIARY'S COUNTRY," OTHERWISE AUTHENTICATION AT A US-ARAB OR OTHER RELEVANT CHAMBER OF COMMERCE IS ACCEPTABLE. (LATTER PHRASE SUGGESTED BY MANAGER OF KUWAIT BANK AND NOT PART OF ARAB BANK LTD. STATEMENT.)

6. LETTERS OF CREDIT ISSUED BY VARIOUS KUWAITI BANKS

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INDICATE THAT CERTIFICATES OF ORIGIN CAN BE OBTAINED FROM VARIOUS ARAB-AMERICAN CHAMBERS OF COMMERCE. WE ASSUME THAT SUCH CERTIFICATES, IF POSITIVE, WOULD BE ACCEPTABLE UNDER THE NEW LAW. PLEASE ADVISE IF THIS IS THE CASE.

7. ACTION REQUESTED (BESIDES THAT IN PARA 6 ABOVE): VARIOUS BANKERS IN KUWAIT HAVE EXPRESSED CONCERN THAT NEW FEDERAL LAW WILL RESULT IN SUSPENSION OF LETTERS OF CREDIT COVERING JUNDREDS OF MILLIONS OF DOLLARS OF GOODS. IT STRIKES US THAT IF WORDING IN PARAGRAPH 5 ABOVE IS ACCEPTABLE UNDER NEW FEDERAL LAW, THIS COULD ELIMINATE THE LETTER OF CREDIT PROBLEM IN KUWAIT. WOULD APPRECIATE PRIORITY RESPONSE TO WHETHER SUCH LANGUAGE IS ACCEPTABLE. IF NOT (FOR EXAMPLE, PARA 5B), PLEASE PROVIDE ALTERNATE LANGUAGE THAT WOULD BE. ALSO, GIVEN GREAT INTEREST HERE, WE NEED SOONEST ANY FURHTER INFORMATION ON DETAILED PROVISIONS OF FINALLY AGREED UPON ANTI-BOYCOTT LEGISLATION. SUTHERLAND

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Sent Date: 24-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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